



Regulatory sandboxes — rules consultation

The Australian Energy Market Commission (AEMC) is seeking stakeholder feedback on draft rules to implement regulatory sandbox arrangements.

Implementing the regulatory sandbox requires changes to the rules and laws

On 26 September 2019, the AEMC released the [final report on regulatory sandbox arrangements](#) to support proof-of-concept trials in the national energy markets. A regulatory sandbox is a framework within which participants can test innovative concepts in the market under relaxed regulatory requirements at a smaller scale, on a time-limited basis and with appropriate safeguards in place.

The recommended regulatory sandbox toolkit includes three new tools designed to be used sequentially:

1. an **innovation enquiry service** to provide guidance and feedback that can help facilitate trials that are feasible under current laws and rules
2. a new **regulatory waiver power** for the Australian Energy Regulator (AER), that can provide temporary exemption for trials from regulatory obligations arising out of the existing rules or from the registration requirements in the laws
3. a new AEMC **trial rule change** process that can temporarily change existing rules or temporarily introduce a new rule of limited application to allow a trial to go ahead.

The **innovation enquiry service** can be operated within the existing regulatory framework. The AER will be responsible for its implementation including determining when the service will be launched and resourcing requirements. The new **regulatory waiver and trial rule change tools** will require changes to the national energy laws and the national energy rules.

The final report recommended changes to the National Electricity Law, National Energy Retail Law and National Gas Law with more detailed provisions to be made under the rules and under a new trial projects guideline. These changes were included in the final report as recommended drafting instructions for amendments to the national energy laws. The final report also recommended initial drafting for changes to the national energy rules to give effect to the toolkit. The drafting of the rules was published for information only and has not yet been subject to stakeholder consultation.

COAG Energy Council agreed to AEMC's recommendations for regulatory sandboxes

At its 22 November 2019 meeting, the COAG Energy Council (Council) agreed to the AEMC's recommendations to introduce a regulatory sandbox toolkit. The Council will progress changes to the National Electricity Law (NEL), National Energy Retail Law (NERL) and National Gas Law (NGL) to introduce regulatory sandbox arrangements. The Council will develop draft law changes and conduct separate stakeholder consultation before the law changes are submitted to the South Australian Parliament.

The Council also agreed to make changes to the National Electricity Rules (NER), National Energy Retail Rules (NERR) and the National Gas Rules (NGR) for regulatory sandbox arrangements through the South Australian Minister, following the passage of law changes. The Council tasked the AEMC to provide further advice on rule changes, including stakeholder feedback on the proposed rule drafting provided in the AEMC's final report and a final recommended package of rule changes. We will report back to the Council by March 2020.

Provide your comments on the proposed rule drafting before 20 February 2020

The AEMC invites stakeholder comments on the proposed rule drafting published with the AEMC's final report by Thursday 20 February 2020. A copy of the proposed drafting of the rules is available on the AEMC website. The proposed rule drafting should be read in the context of the policy recommendations and recommended drafting instructions in the AEMC's final report.

We are particularly interested in your feedback on whether the proposed drafting of the rules gives effect to the COAG Energy Council endorsed regulatory sandbox toolkit.

Written submissions on the draft rules must be lodged by 20 February 2020 online via the Commission's website, www.aemc.gov.au, using the "lodge a submission" function and selecting the project reference code EPR0079.

The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated.

Where practicable, submissions should be prepared in accordance with the Commission's guidelines for making written submissions. The Commission publishes all submissions on its website, subject to a claim of confidentiality.

All enquiries on this project should be addressed to Alex Oeser on (02) 8296 7854 or Alex.Oeser@aemc.gov.au.

Background

The Commission collaborated with the AER, Australian Energy Market Operator (AEMO), Energy Consumers Australia (ECA) and Australian Renewable Energy Agency (ARENA) to develop the final recommendations.

Following on from recommendation 2.8 of the *Independent Review into the Future Security of the National Electricity Market* (Finkel Review), in October 2018 the Commission received a [request for interim advice from SCO](#) on "how to best facilitate coordination of proof-of-concept trials and the need for formal regulatory sandbox arrangements" as part of the [2019 Electricity networks economic regulatory frameworks review](#).

On 20 December 2018, the Commission published a [consultation paper](#). The Commission received 28 submissions on the consultation paper, with most stakeholders supporting the development of regulatory sandbox arrangements.

On 7 March 2019, the Commission published its [interim advice](#) to SCO which proposed a regulatory sandbox initiative that could make use of a variety of existing and new tools that could be applied according to their suitability to a proposed trial.

On 11 July 2019, the Commission published its [draft report](#) recommending the introduction of regulatory sandbox arrangements including different tools aimed at providing solutions to the various regulatory barriers to trials. In response to the draft report, the Commission received 21 submissions from stakeholders, with 20 supporting the introduction of the sandbox toolkit. Most stakeholders also provided recommendations to adjust the design of each of the sandbox tools, which were taken into account.

On 26 September 2019, the AEMC published the [final report](#) on regulatory sandbox arrangements to support proof-of-concept trials, alongside recommended drafting instructions for amendments to the national energy laws and initial drafting for changes to the national energy rules to give effect to the toolkit.

For information contact:

Director, **Owen Pascoe** 02 8296 7856

Project leader, **Alex Oeser** 02 8296 7854

Media: Media Manager, Kellie Bisset 0438 490 041 or 02 8296 7813

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